

# — CONGRESSIONAL OVERSIGHT PANEL —

*Elizabeth Warren, Chair | Sen. John E. Sununu | Rep. Jeb Hensarling | Richard H. Neiman | Damon Silvers*

## Opening Statement of Richard H. Neiman

### Congressional Oversight Panel Field Hearing on the Impact of Economic Recovery Efforts on Corporate and Commercial Real Estate Lending

May 28, 2009

Good morning, and thank you all for appearing today at this hearing of the Congressional Oversight Panel on corporate and commercial real estate lending.

I would also like to thank Congresswoman Maloney and Congressman Nadler for their participation today. Although, I am much more accustomed to being on the other side of the witness table when attending Hearings with them, I am thrilled that they could fit today's hearing into their busy schedules. Their roles on the House Financial Services Committee and Congresswoman Maloney's role as Chair of Joint Economic Committee make them both directly related to the topics we are discussing today. And, their attendance emphasizes the importance of these issues for New York.

Finally, I want to thank New York University for providing this wonderful venue.

We sometimes speak about "the financial crisis" as if it were one event, when really it is cascade of multiple crises that overlap and reinforce a downward trend. This Panel has been seeking input on these various crises through field hearings across the country- in Clark County, Nevada and Prince George's County, Maryland on the foreclosure crisis, and in Milwaukee, Wisconsin on small business lending. Now we are in New York City, to examine the affect of continuing market uncertainty on midsize and large businesses, as well as commercial real estate borrowers.

The purpose of today's hearing is to assess both credit availability and the impact of the recession on borrower demand. To do this, we will explore questions such as-

- Are banks continuing to lend to these sectors, and how have their underwriting and other lending practices changed? Is the credit contraction driven more by supply or by demand issues?
- How is the freeze in securitization affecting credit access, and to what extent can bank lending fill the gap? How will the markets adapt?
- What is the impact that Treasury and Federal Reserve programs such TALF are having, or are expected to have, in restoring stability?
- Can we expect a wave of defaults in corporate and commercial real estate lending and, if so, will it be another tsunami like residential subprime?

- And, finally, what will be the ultimate impact of a slowdown in the commercial space on our communities- what does this mean for jobs and economic development opportunities?

These are difficult issues with many moving parts, and we are fortunate to have a diverse group of leading experts here today to offer their testimony.

***On the first panel:***

Til Schuermann, the Vice President in Risk Management from the Federal Reserve Bank of New York will provide us with a comparison to past recessions, as well as an overview of the exponential growth in non-bank credit and the impact on bank lending.

Richard Parkus, the Head of Commercial Mortgage-Backed Securities Research, Deutsche Bank – Americas, will explore the drivers of default in commercial real estate lending as well as the volume of loans at risk.

***On our second panel:***

Kevin Pearson, the Executive Vice President of M&T Bank, will be offering a lender's perspective on credit trends and the unique role that regional banks play in this sector.

Jeffrey DeBoer, CEO of The Real Estate Roundtable, will discuss the impact of credit contraction and the recession on real estate developers and borrowers.

Mark Rogus, Senior Vice President and Treasurer of Corning, Incorporated, will also provide insights into the impact on larger corporations, as well as the effects of reduced credit access on their customers and suppliers.

I thank each of you for your participation and look forward to hearing your perspective and thoughts on the issues we are discussing this morning.

The corporate and commercial real estate lending markets are facing serious challenges. However, unlike with the subprime crisis in residential mortgages, in this case we have the opportunity to anticipate what is coming and address the issues before it becomes an even bigger crisis. We have a narrow window in which we can take action and avert the worst. Time is of the essence.

Through this hearing, I am hopeful that we will gain a much deeper understanding of the complexities and the scope of the issues impacting corporate and commercial lending. And, I am particularly interested in measuring the effectiveness of Treasury programs to date.

Building on that assessment, we must begin exploring the additional steps Treasury and Congress can take to mitigate this developing problem and ensure that these sectors continue to fuel our economy. Thank you.